

Telecoms Wait Nervously On \$20 Billion Contract

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Over the past 31/2 years, AT&T has spent several million dollars putting together two 5,000-page proposals detailing how it can upgrade phone lines, wireless networks and fire walls for the federal government. At one point, about 100 people toiled through the night in a Northern Virginia basement to put the final touches on a bid that would guarantee the company's survival in federal market for the next decade.

Executives from AT&T and other companies are anxiously awaiting the General Services Administration's announcement of the largest telecommunications contract ever awarded. The winner of the biggest and most lucrative piece of the project, known as Networx Universal, could be named as early as this week.

In total, Networx is estimated to be worth \$20 billion, though over time it could grow to \$68 billion -- a sum that has inspired much nail-biting among the companies vying for a piece of it. In addition to AT&T, other main bidders -- including Verizon Communications, Qwest Communications and Sprint Nextel -- have assembled teams of companies to help them secure the 10-year deal. Their proposals involve about 120 potential subcontractors, some of whom have relocated their headquarters to the Washington area, beefed up their workforces or built state-of-the-art facilities locally in anticipation of a boost in business.

The contract is part of one of the most sweeping revamps of the federal government's technology infrastructure in two decades. The overhaul will touch nearly everything federal employees rely on, from BlackBerrys used by FBI agents to databases used by public schools.

"Previous contracts focused on straight telecommunications -- phone lines, data lines. But Networx is putting together the next generation of high-end technology that the government will use for years," said Alan Chvotkin, senior vice president of the Professional Services Council, a government contracting trade organization. "Every large telecom company is counting on this."

Awarding pieces of the Networx deal will be a multi-step process. The GSA will chose at least two prime contractors, who will then be eligible to bid on individual agency projects. Dozens of smaller companies also stand to benefit from subcontracts.

The federal agencies involved will not be obligated to use the Networx vendors for all of their telecom upgrades.

At Verizon, more than 1,000 people worked to prepare the final bids, which required 10,000 pages to print. In September, the company opened a 30,000-square-foot facility in Ashburn for monitoring government networks and computers that "was built in particular to meet Networx requirements," said Susan Zeleniak, vice president of Verizon's federal division.

The size of the Networx project has produced a ripple effect among some smaller companies, which have come to the Washington area hoping to market themselves as subcontractors. Tellabs, a telecom company outside Chicago, opened an office in Ashburn in January and hired more staff -- putting the office at 120 employees -- to target the contract. Although it is not paired with one of the four prime bidders, the firm will try to supply other telecom companies as the government's technology requirements evolve over the next few years, said Joe Shilgalis, vice president for government systems.

"Having a stronger focus around the Beltway will give us more opportunities to reach agreements with those prime contractors," he said.

Executives at Hughes Network Systems, a Germantown satellite company, are "sitting on pins and needles waiting for the phone to ring," said Tony Bardo, assistant vice president for government services. The company, which is bidding with several other prime contract bidders, is already planning on a "festive atmosphere -- maybe even a party or two" when the GSA releases the news.

The last major telecom contract, FTS 2001, went to two companies, Sprint and MCI, in 1999.

This is Qwest's first time bidding as a prime vendor for a major government contract. Several hundred employees have had to skip vacations and pull all-nighters over the past three years to put together their proposal, said Diana Gowen, head of Qwest's federal services division.

"We're optimistic that we put our best foot forward," she said. "But we're not planning any parties."

Staff writer Charles Babington contributed to this report.